VIRGINIA Economic Indicators

Second Quarter Data, Third Quarter Preliminary Analysis, and Latest 2008-2009 Projections

FEATURE ARTICLE:

The Transportation and Warehousing Sector in Virginia

by James P. Wilson

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Volume 40, Number 2

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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS codes were updated in 2007. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2008 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2008 data.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

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HIGHLIGHTS — THE U.S. AND VIRGINIA ECONOMIES

Mid-summer benchmark revisions by the U.S. Department of Commerce show economic growth for the past three years, 2005 to 2007, was slower than thought and *below* the three percent 20-year long-range trendline. Economic growth, after being revised negative in Fourth Quarter 2007, revived to 0.9 percent in First Quarter 2008 and 2.8 percent in Second Quarter 2008. The second quarter was boosted by still booming exports, the tax rebate checks, government spending, and a cutback on the purchase of foreign oil. The second quarter's growth pace is unlikely to continue as the economy now appears spiraling slowly downward to a likely recession by Fourth Quarter 2008. The aftermath of the fall financial crisis will likely add a couple of quarters to the already expected recession and heighten its impact. The national unemployment rate will now likely climb to over 7.0 percent.

The Virginia economy, like the national economy, saw fairly good overall growth in Second Quarter 2008, but here too, the rate of advancement seemed to be spiraling downward from previous years. Second quarter records were: nonfarm employment reached a new high of 3,776,300 in April; export demand boosted the production workweek to an all-time long 44.3 hours in May; and the long workweek pushed weekly factory wages to a new high of $808.61 for May.

Virginia averaged 0.4 percent job growth in the second quarter and should maintain that pace in the third quarter. The mainstays of the Virginia economy—professional and business services, health care, defense, and public and private higher education—will still see advancement, but after the Fall 2008 national financial crisis, job losses in construction, manufacturing, trade and transportation, and finance may turn overall job growth *barely negative*. Virginia should still do better than the 0.5 to 1.0 percent average job loss expected in 2009 for the nation. Virginia's unemployment rate increased from 3.0 percent in 2007 to 3.8 percent in Second Quarter 2008, mostly because of slowing job growth. Virginia unemployment should average four percent in 2008 and around five percent in 2009 in the aftermath of the national financial crisis.

The medium-sized and smaller metropolitan areas with job growth tied to public and private institutions of higher education have recently enjoyed the best job gains (1.5 to 2.5 percent). The Virginia Beach-Norfolk-Newport News, Virginia/North Carolina metropolitan area showed the best job growth of the three largest areas as it usually does in downturns. Rural areas are seeing job loss. Unemployment is rising everywhere, but it is still lowest in Northern Virginia and highest in the Southside.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) averaged 216.8 (1982-84 = 100) in Second Quarter 2008. This average was 2.2 percent higher than the 212.1 First Quarter 2008 average. The second quarter average was 4.4 percent above the Second Quarter 2007 average of 207.7, largely because of rising energy and commodity prices.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity in the nonfarm business sector grew at a 4.3 percent annual rate in Second Quarter 2008, reflecting an increase of 3.4 percent in output and a decrease of 0.8 percent in hours of all persons. From Second Quarter 2007 to Second Quarter 2008, nonfarm business productivity grew 3.4 percent, faster than the 2.5 percent average rate from 2002 to 2007. Hours decreased 1.1 percent over the past four quarters—the largest four-quarter decline since a 2.1 percent decline for the period ending in Third Quarter 2002.

Nonfarm hourly compensation increased 3.7 percent in Second Quarter 2008, but when the 5.0 percent increase in consumer prices was taken into account, real hourly compensation declined 1.3 percent.

Nonfarm unit labor costs declined 0.5 percent in Second Quarter 2008, but rose 0.6 percent over the last four quarters. The implicit price deflator for nonfarm business output rose 0.9 percent in the second quarter.

According to the Energy Information Administration of the U.S. Department of Energy, Virginia's coal production of 11,804,000 short tons mined in the first six months of 2008 was 17.9 percent below the 14,378,000 short tons mined in the first half of 2007. Part of the production decline could be attributed to downtime at the state's largest mine in the first three months of the year.

William F. Mezger

William F. Mezger, Chief Economist
Virginia Employment Commission

In spite of some still good recent figures, the national and Virginia economies now appear headed for a recession, which will probably be worsened by the national financial crisis.

U.S. Economic Outlook

Forecast Update—Second Quarter Data, Third Quarter Preliminary Analysis, and the Financial Crisis and Its Probable Impact

William F. Mezger, Chief Economist

Revised GDP estimates show the 2005 to 2007 period was not as strong as originally estimated.

The U.S. Department of Commerce revised the Gross Domestic Product (GDP) numbers for 2007 in July, along with the GDP series for several past years, as it does annually each summer. This revision takes place after all the contributing agencies have updated their information, which goes to make up GDP, to the very latest benchmarks. (GDP is the sum of the output of all the goods and services produced by labor and property in the U.S. economy and is the key measure of economic gain or loss). The Commerce Department's latest revisions show GDP was growing at a slower pace than thought. The annual growth rate was only 2.0 percent in 2007, slower than the pre-revision estimate of 2.2 percent. Also, the revision of the series for recent back years shows lower growth than originally projected for the last 3 years.

U.S. Annual GDP Growth Rates 2001 to 2007 (Percent)

	2001	2002	2003	2004	2005	2006	2007
Revised Estimates	0.8	1.6	2.5	3.6	2.9	2.8	2.0
Pre-revision Estimates	0.8	1.6	2.5	3.6	3.1	2.9	2.2

The new figures show that so far in this decade, economic performance has not been all that great. The average rate of GDP gain for the last twenty years is still 3.0 percent, but for the years 2001 through 2007, 2004 was the only year of *above* average growth (3.6 percent).

While most forecasters expected a classic "seventh" year slowdown in growth, it did not really happen. (The U.S. economy has experienced slowdowns in the "seventh" year in four of the five previous decades (1957, 1967, 1987, and 1997). The slowdown did not come about in 2007 because of corrective actions on the part of monetary and fiscal policy:

- Monetary policy—a sharp lowering of interest rates.
- Fiscal policy—federal government spending for the surge in Iraq and other projects.

Strong exports, the rebate checks, and defense spending boost Second Quarter 2008 GDP growth to 2.8 percent.

Also, the low value of the U.S. dollar has made U.S. goods much better able to compete in world markets, causing a boom in U.S. exports while imports (except oil) have fallen off.

The economic slowdown almost happened in Fourth Quarter 2007. Before revisions, GDP growth in Fourth Quarter 2007 was positive by 0.6 percent; after revisions it was negative by 0.2 percent. However, it usually takes *two, or more, quarters of negative growth* to have a recession, and First Quarter 2008 growth was positive by 0.9 percent.

The third estimate of Second Quarter 2008 GDP growth released on September 26, 2008, was positive by an annual rate of 2.8 percent. The increase reflected strong positive contributions from U.S. exports, consumers' spending of the tax rebate checks, commercial construction, and government spending to provide the rebate checks and to pay for the defense-surge in Iraq. The acceleration in GDP growth in the second quarter was aided by reduced imports as consumers cut back on energy purchases (foreign oil).

GDP growth for the Third Quarter 2008 should decelerate from the second quarter's pace as the rebate checks have passed through the system, having been spent. As the U.S. economy slows, the rest of the world is also expected to slow (more so for Europe than Asia), meaning foreigners will no longer be able to buy as much from us, thus reducing exports. Also, the U.S. dollar has recently been rising in value in relation to other world currencies, making U.S. goods more expensive and further reducing exports. Booming exports have been the crucial factor in keeping the U.S. economy out of recession so far in 2007 and 2008, and now they should be slowing.

The energy situation is that after reaching almost $150 per barrel for oil in world markets in July, slackening world demand reduced oil prices to just over $90 per barrel in September. U.S. regular gasoline prices fell $.60 to $.70 per gallon to about $3.50 to $3.60 per gallon. Hurricanes Hanna and Ike did considerable damage to Texas and Louisiana Gulf Coast oil rigs and refining facilities. World oil prices spiked, U.S. gasoline prices rose, and there were gasoline shortages in the Southeastern U.S., but things now seem to be settling back down. It is assumed these problems will moderate as the refineries are repaired and come back on-line.

The damage from the above hurricanes to Galveston and Houston, Texas, (fourth-largest U.S. metropolitan area) will depress GDP growth in Third Quarter 2008, but then the rebuilding will boost GDP growth a couple of quarters out.

Although the U.S. economy still has some bright spots (like the strength of exports), overall economic activity seemed to be spiraling slowly downward since late 2007, and probably will end in a recession by Fourth Quarter 2008. Growth likely will be negative in Fourth Quarter 2008 and in two to three quarters in 2009. A recession is usually considered to be *two, or more, quarters of negative growth*. The financial crisis has now added a couple of quarters to the already expected recession and heightened its impact.

In spite of efforts by the Federal Reserve since late Summer 2007 to remedy things, the U.S. financial markets imploded in August and September 2008. The low lending rates to stimulate the economy from 2001 to 2004 and lax lending requirements allowed financial institutions to promote home buying to consumers who really could not afford it in

order to make huge profits for the financial institutions. This was fine as long as real estate values escalated because the consumer could always sell at a profit and move on to a bigger and better house. There was much speculation in residential real estate, especially in California, Florida, Nevada, and Arizona. With rising interest rates from 2005 to 2007, many buyers found they could no longer pay rising adjustable rate mortgages and they now owed more on the property than it was worth, so they just walked away from it, letting the financial institutions take it over. As this happened, the financial institutions found they also had more money tied up in properties that were worth less than the loans. The increased number of properties on the market depressed home prices even more. To make matters worse, the mortgages, once they were issued, became packaged investment instruments traded around the world, and large financial institutions found they owned unsaleable real estate of uncertain value.

Financial problems over the last year:

- The problems first came to light in August 2007 when hedge funds and investment banks with too many bad mortgages induced the Federal Reserve to drop the Fed Funds rate 325 basis points (3.25 percent) to 2.00 percent by Spring 2008 to increase liquidity flow in the economy. The problem throughout Summer 2008 was that the financial institutions became more unsure and have been reluctant to increase lending.
- The Federal Reserve in March 2008 forced the sale of Bear Stearns (the nation's fifth-largest investment bank) to J.P. Morgan Chase, guaranteeing $29 billion of Bear Stearns' subprime assets. The Federal Reserve also

Storms Hanna and Ike impact energy prices that were falling.

The U.S. economy seemed to be spiraling toward recession by Fourth Quarter 2008.

The federal government has a massive $700 billion piece of legislation to rescue national and world financial markets.

Recent events likely will worsen the coming recession.

Editor's Note:

In the present turbulent economic times, things can change abruptly overnight. While the forecast is our best estimation at the date this publication goes to the printer (October 6), things can change in the 3 to 4 weeks required for printing and distribution.

opened its discount lending to investment banks.

- The U.S. Treasury in August 2008 took over the quasi-government mortgage financing companies of Fannie Mae and Freddie Mac, backing them to the tune of $200 billion and giving the federal government an 80 percent stake in the companies.
- The Federal Reserve allowed investment banker Lehman Brothers to fail and forced the sale of investment banker Merrill Lynch to Bank of America.
- The U.S. Treasury loaned American International Group, Inc. (AIG) insurance $85 billion in return for 80 percent ownership. AIG was the insurer of the financial industry and was deemed "too big to fail."
- The Federal reserve forced the takeover of Washington Mutual Savings by J.P. Morgan Chase to help it stay solvent.
- While rescue legislation was being debated in Congress, Wachovia, the fifth-largest bank, was in forced buyout negotiations.

By mid-September 2008, the crisis was worsening and financial markets were near panic. In the next few weeks the rescue plan developed.

- The Treasury, the Federal Reserve, and the Congress, taking bold joint action, enacted unprecedented legislation for the government to buy as much as $700 billion in distressed mortgage-backed assets to prevent the financial system from collapsing. Tacked on to the legislation were tax incentives and the raising of FDIC insurance for individual bank accounts from $100,000 to $250,000.
- This all-encompassing legislation gives the U.S. government broad authority to purchase soured mortgage-related assets from U.S. financial institutions for the next two years.
- The statutory limit on the national debt would be raised from $10.6 trillion to $11.3 trillion to allow for the massive rescue. How much the government and the taxpayers could lose from the buyout depends on the price paid for the assets.
- The takeover of the mortgage-backed assets on such a large scale is similar to the creation of the 1980's Resolution Trust Corporation that rescued the failed savings and loans.
- In the end, the legislation allows the U.S. government to purchase discounted and distressed assets from the banking system. This will create liquidity and put a bottom under the housing market while reducing investor uncertainty. The legislation will help restore confidence in the financial system and enable financial institutions to raise capital and expand credit to promote growth.
- It will cost the banks and the U.S. taxpayers much, but the financial system should be saved. If the legislation works, some parts of it should return a profit to the government.
- Strong new regulations should be put in place to prevent these sort of excesses in the future.

All the financial turmoil in an economy that already seemed headed toward recession will likely prolong the downturn by an extra couple of quarters, heightening its impact. Job losses likely will average 0.5 to 1.0 percent in 2009, and the national unemployment rate will go over 7.0 percent.

The above projections have a 55 percent probability.

Forecast Alternatives

In the **optimistic scenario**, there is a mild minimum two quarter recession at the end of 2008 and beginning of 2009 like what was expected before the financial crisis. (Probability is 20 percent)

In the **pessimistic scenario**, the downturn lasts more than a year with U.S. unemployment going well over 7.0 percent. It just may take time for all the problems the financial crisis has unleashed to be resolved. (Probability is 25 percent)

October 6, 2008

SECOND QUARTER 2008 DATA WITH UPDATED AREA ANALYSIS

William F. Mezger, Chief Economist

The Virginia economy, like the national economy, saw fairly good overall growth in Second Quarter 2008, but here too the rate of advancement seems to be spiraling downward from previous years. Second Quarter 2008 was better than the first quarter because the negative impacts of vehicle strikes and layoffs and the early Easter holiday were past. Rising fuel prices continued to be a drain on the retail trade and leisure and hospitality sectors.

The second quarter was generally an improvement over March's weak performance of only three series positive, five unchanged, and six down.

- April was neutral with five series up, four the same, and five down.
- May was the best month of the quarter with seven series up, three unchanged, and four down.
- Weaknesses reappeared by June with four series up, two unchanged, and eight down.

The second quarter managed to set three new positive records:

- Nonagricultural wage and salary employment inched forward to a new high of 3,776,300 in April, aided by vehicle industry recalls, theme park reopenings, and still robust professional and business services, health care, and public and private higher education.
- Export demands continued to cause a lot of factory overtime with the production workweek climbing to 44.3 hours for May, an all-time long workweek.
- The long workweek was a factor in pushing average weekly factory wages to a new record of $808.61 in May.

On the negative side, the insured unemployment rate of 1.25 percent in June was at a 4½-year high, final payments for unemployment benefits were the greatest in four years in April, and new single family housing permits were at a 26-year low in May.

The six-month moving average of rising indicators on page 17 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

Around the State

Job growth in Virginia averaged 0.4 percent in Second Quarter 2008 and looks to be about that rate for the third quarter. The nation showed virtually no job growth in the second quarter; and by third quarter, national job growth has turned negative. The nation is further along the recession curve than Virginia. The mainstays of the Virginia economy—professional and business services, health care, defense, and public and private higher education—will still see advancement, but after the Fall 2008 national financial crisis, job losses in construction, manufacturing, trade, transportation, and finance may turn overall job growth *barely negative*. Virginia should still do better than the 0.5 to 1.0 percent average *job loss* expected in 2009 for the nation.

Virginia sees fairly good second quarter growth, but within an overall slowing trend.

Virginia's unemployment rate has increased from a 3.0 percent average in 2007 to 3.8 percent in Second Quarter 2008, partly because of motor vehicle and construction-related factory furloughs, but mostly because of the slowing job growth causing people to take longer to find new jobs when they do become unemployed. In July, Virginia had a 17 percent higher volume of summer furloughs than in 2007 with a much higher incidence of furloughs this year at smaller and medium-sized firms because of sluggish business activity. The summer furloughs boosted July unemployment above 4.0 percent. August, with the summer furloughs over and the colleges starting the new school year, saw a slight decline in unemployment claims activity, but more unemployed nonclaimants. The $.60 to $.70 per gallon decline in gasoline prices provided an end-of-summer spurt in tourism activities. The damage to Gulf Coast refineries from Hurricanes Hanna and Ike boosted fall gasoline prices. There are a dozen small Rocky Mountain and mid-western states with lower unemployment

The mainstays of the Virginia economy: professional and business services, health care, and public and private higher education should help Virginia see better job growth than the nation.

rates than Virginia. States in these regions have fewer youth to be jobless in the summer and seasonal agricultural activities employ most available workers in autumn. Virginia continues to have the lowest unemployment rate among the thirteen-largest states. Virginia should average about four percent unemployment for 2008 and around five percent unemployment in 2009. Five percent unemployment is still considered by most experts to be full employment. The recently failed national financial firms have relatively little employment in Virginia other than bank branches which the new owners should keep.

In Summer 2008, Virginia medium-sized and smaller metropolitan areas with job growth tied to public and private institutions of higher education enjoyed the best percentage employment gains (1.5 percent to 2.5 percent). The Virginia Beach-Norfolk-Newport News, Virginia/North Carolina metropolitan area of the state's three-largest metropolitan areas is currently showing the best job growth (close to 2.0 percent) and providing the most new jobs. This area usually outperforms the other two large metropolitan areas in slowdown periods because of its large military and defense industry presence. Job growth in the Northern Virginia and Richmond metropolitan areas has slowed more than in Virginia Beach-Norfolk-Newport News, Virginia/North Carolina. Blacksburg-Christiansburg-Radford is the only Virginia metropolitan area with negative job growth because of vehicle industry-related layoffs. The rural nonmetropolitan balance of the state is currently overall seeing some job loss. Northern Virginia continues to have the lowest metropolitan unemployment rate, and the Danville area has the highest metropolitan unemployment. Among individual jurisdictions, Arlington County has the lowest unemployment and Martinsville city is the highest.

- The **Lynchburg** area, with job growth over two percent consistently in 2008, has seen fairly rapid expansion in the several private colleges located there and in the service industries that provide for the needs of the students and faculties. Manufacturing employment here has also held up better than in some other areas. Unemployment has inched up to the upper-four percent range.
- The **Harrisonburg** area with job growth around two percent enjoys the benefits of expansions at the large James Madison state university. Also, associated service industries and research and development facilities have been expanding. Unemployment is now just over four percent.
- **Winchester Virginia/West Virginia**, the only faster growing metropolitan area without a significant university presence, benefits from service industry expansion spillover from adjacent Northern Virginia. Job growth still runs close to two percent. Layoffs in vehicle and building material manufacturing and construction in adjacent West Virginia and other neighboring areas have inched up unemployment to the mid-four percent range.
- **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** is now enjoying close to two percent job growth with expansions in health care, public and private education, professional and business services, and tourism. Leisure and hospitality did not do too badly in "the year-after Jamestown" with an end-of-summer spurt in tourism caused by falling gasoline prices. This is one of the few U.S. areas left with still positive construction employment. Exports through the ports have increased while imports have slowed. As usual in periods of economic slowdown, the large military and defense presence in the area provides economic stability. Hampton Roads is presently the largest provider of new jobs (about 16,000) in the state. Unemployment is now upper-four percent, but the area is maintaining its position as the sixth-best large U.S. metropolitan area for unemployment.

- **Northern Virginia** has seen job growth slow from over two percent last year to one percent now, being pulled down by losses in construction (about 90 percent of Virginia's construction job losses are in this area), telecommunications, and finance. Retail employment has now turned negative and national airline woes are causing end-of-summer reductions in flight crews at Virginia's two big Washington area airports. Still going strong, however, are the professional and business services, health care, and public and private higher education. Washington, DC area real estate usually perks up with a national change of administration. Some developers appear to be starting to assemble land for future projects. Unemployment has been nudged up over three percent, mainly because of construction layoffs, especially in the outlying jurisdictions. The greater Washington area, usually is in the nation's couple of top large metropolitan areas for unemployment, and Northern Virginia still outperforms the region as a whole.

- The **Richmond** metropolitan area currently has about one percent job growth with the best gains in health care, public and private higher education, and professional and business services. Construction is holding its own, but the region continues to shed factory and finance jobs. Shopping center construction and the on-going long- range expansion of Ft. Lee still helps. Unemployment is now close to five percent, still helping Richmond stay among the ten-best large U.S. metropolitan areas.

- The **Roanoke** area is currently getting most of its less than one percent job growth from Carilion Health System's expansion as it attempts to make the Roanoke area a world-class health center. Unemployment is now over four percent.

- The **Charlottesville** area had one of the best growth rates among the state's metropolitan areas earlier in 2008. This slowed to less than one percent while the university has been out of session over the summer, although professional and business services and tourism remain strong. Perhaps this will pick up with the fall university semester. Unemployment is four percent.

- Although, good current monthly jobs data is no longer available on the small **Danville** metropolitan area because of federal budget cuts to the statistical programs, it appears this area that saw negative job growth for several years is now having slight job expansion because of the opening of a new furniture factory and the arrival of other new employers. Danville area unemployment is still the highest of any Virginia metropolitan area at near eight percent.

- The **Blacksburg-Christiansburg-Radford** metropolitan area is the only Virginia metropolitan area currently with job losses. Employment is negative by about one percent as a result of vehicle-related factory layoffs, most of which have now become permanent. Growth at the large Virginia Tech and Radford state university complexes is presently not enough to offset the factory losses. Unemployment has risen to over six percent.

Worker Recalls Help Boost the Series in the Second Quarter, but the Overall Trend is for Slower Growth.

Nonagricultural wage and salary employment recovered some from February's and March's vehicle industry strikes and strike-related layoffs and a lackluster early Easter holiday. Also, many spring travelers appeared in April, and the theme parks started staffing up for the season. These activities boosted nonfarm employment on a seasonally adjusted basis by 2,800 jobs. Although this was not enough to register the 19,000 (plus, or minus, 0.5 percent) necessary to show change on our tables, it did provide

This year, the Lynchburg area has had the best percentage job growth (over two percent), but Hampton Roads is now providing the most new jobs.

a new record-high nonfarm employment total of 3,776,300. May saw nonfarm employment back down by 3,900 jobs to 3,772,400 as rising gasoline prices reduced travel and retail activities. The hiring of new graduates in June and summer job hires pushed the nonfarm total up 2,200 to 3,774,600. Neither the May nor June employment movements were enough to register changes on the tables. The ending of the vehicle industry strikes and layoffs was enough to cause factory employment to register positive change on the tables, rising 4,200 from March's all-time record low of 272,300 to 276,500 in April. Factory employment then sagged 700 in May and 1,300 in June, ending the quarter at 274,500. Neither May nor June registered changes on the tables.

The four unemployment-related series, as a whole, were neutral in April, mostly positive in May, and largely negative in June. The seasonally adjusted total unemployment rate was down from 3.7 percent in March to 3.5 percent in April, but then rose to 3.9 percent in May and 4.0 percent in June. Initial (or first time) claims for unemployment benefits on a weekly average rose from 5,523 in March to 5,812 in April, but then eased off to 5,747 in May and 5,525 in June. The insured unemployment rate, which is the ratio of claimants to the number eligible to draw benefits, fell from 1.18 percent in March to 1.11 percent in April and 1.04 percent in May. The ratio then climbed to 1.25 percent in June (a 4½-year high). Final payments for jobless benefits, which to some extent reflect layoff volume six months previous, rose from 2,920 in March to 4,119 in April (a four-year high), but then eased to 3,264 in May and an almost as good 3,425 in June.

The four hours and earnings series, as a group, were neutral to negative in April, mostly positive in May, and then turned mostly negative by June. Wage inflation did not seem to be much of a factor in Virginia this quarter. The workweek remains exceedingly long, having been well above 43.0 hours all year. Apparently, increased orders for export are causing manufacturers to work their existing employees more overtime. The average workweek fell from 43.9 hours in March to 43.5 hours for April, but then rose to an all-time high of 44.3 hours for May, before settling to 43.4 hours in June. Total production hours worked rose from 9,309,000 in March to 9,328,000 in April (no change on tables), and 9,538,000 in May, before receding to 9,329,000 in June. Although the average hourly factory pay rate was down from $18.33 in March to $18.25 in April and crept up to $18.27 in May, both months registered "no change" on the tables. Hourly production wages then rose to $18.38 in June. The average weekly factory paycheck slipped from $801.85 in March to $791.82 in April, but May's record-long workweek (44.3 hours) boosted it to a record $808.61. June's shorter average workweek reduced average weekly production wages to $797.86.

The four business-related series as a whole leaned positive in April, were mostly negative in May, and canceled each other out in June. Single family housing permits trended downward from 1,780 in March to 1,728 in April and 1,539 in May (a 26-year low), then recovered slightly to 1,601 in June. New business incorporations were up strongly from March's 1,248 to 1,619 in April, but then were off to 1,344 in May and 1,281 in June. New light vehicle registrations were up from March's 6½-year low of 34,734 to 36,804 in April, but then settled to 35,972 for May and 35,787 for June. The slump in new vehicle sales from last year was still proportionately less than the rise in gasoline prices. Taxable retail sales rose throughout the quarter, going from $8,602 million in March to $8,810 million in June, but growth was less than in the similar 2007 period because of high fuel prices detracting from other retail purchases. The March to April rise of $33 million to $8,635 million was not enough to show change on the tables and was undoubtedly influenced by the Easter holiday coming in March in 2008.

Employment Indicators

2007	Nonagricultural Wage and Salary Employment* (Thousands) Unadjusted	Adjusted	Manufacturing Employment* (Thousands) Unadjusted	Adjusted	Total Unemployment Rate* (Percent) Unadjusted	Adjusted
January	3,699.8	3,756.9	279.4	281.1	3.2	2.8
February	3,705.7	3,755.7	280.6	281.9	3.2	2.9
March	3,737.1	3,757.4	280.8	281.4	2.9	2.9
April	3,751.3	3,756.2	280.2	280.6	2.7	2.9
May	3,777.6	3,759.9	279.7	279.8	2.8	3.0
June	3,809.4	3,762.7	281.4	279.9	3.1	3.0
July	3,758.0	3,761.0	279.1	279.7	3.1	3.0
August	3,752.3	3,762.1	278.2	277.3	3.2	3.1
September	3,770.0	3,764.0	277.3	276.6	3.0	3.1
October	3,777.6	3,764.8	275.9	275.8	3.0	3.2
November	3,791.5	3,766.6	275.9	275.6	3.0	3.2
December	3,797.5	3,767.0	275.2	274.6	3.2	3.2
2008						
January	3,718.2	3,775.6	273.2	274.8	3.8	3.4
February	3,724.7	3,774.9	271.2	272.5	3.8	3.5
March	3,753.1	3,773.5	271.7	272.3	3.9	3.7
April	3,771.4	3,776.3	276.1	276.5	3.3	3.5
May	3,790.1	3,772.4	275.7	275.8	3.8	3.9
June	3,821.4	3,774.6	276.0	274.5	4.2	4.0

* These series have been adjusted to First Quarter 2007 benchmarks.

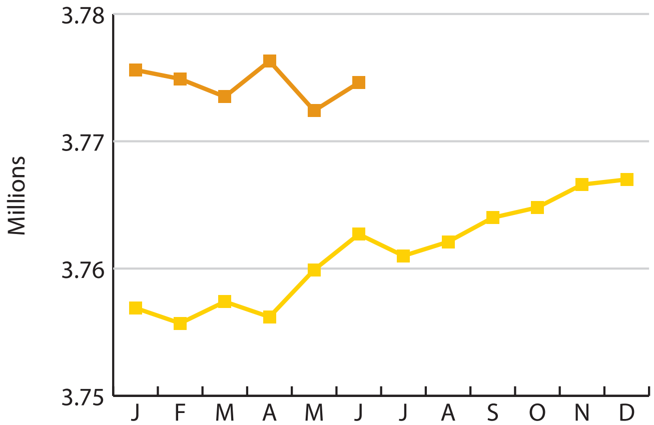
Unemployment Insurance Indicators

2007	Average Weekly Initial Claims Unadjusted	Adjusted	Insured Unemployment Rate (Percent) Unadjusted	Adjusted	Unemployment Insurance Final Payments Unadjusted	Adjusted
January	7,301	5,076	1.09	0.86	3,506	3,315
February	5,813	5,808	1.08	0.93	2,911	3,056
March	4,580	5,059	0.95	0.91	3,153	2,794
April	4,265	5,189	0.92	0.96	3,054	2,918
May	3,961	4,771	0.91	0.93	3,573	3,274
June	4,093	4,528	0.83	0.90	2,933	2,759
July	4,995	4,436	0.79	0.82	3,470	3,427
August	3,829	4,567	0.63	0.69	3,149	2,863
September	3,617	4,359	0.82	0.97	2,630	3,116
October	4,519	4,938	0.84	0.90	2,956	3,273
November	5,603	5,307	0.90	0.93	2,496	2,763
December	5,991	4,531	1.07	1.01	2,741	3,076
2008						
January	8,194	5,697	1.16	0.92	3,747	3,543
February	5,407	5,403	1.11	0.95	3,040	3,192
March	5,001	5,523	1.23	1.18	3,295	2,920
April	4,777	5,812	1.06	1.11	4,311	4,119
May	4,772	5,747	1.02	1.04	3,562	3,264
June	4,994	5,525	1.16	1.25	3,641	3,425

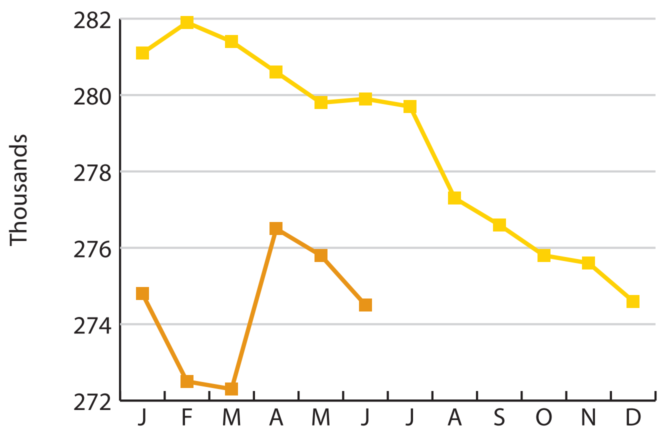
Employment Indicators

January 2007 - June 2008 | 2007 | 2008

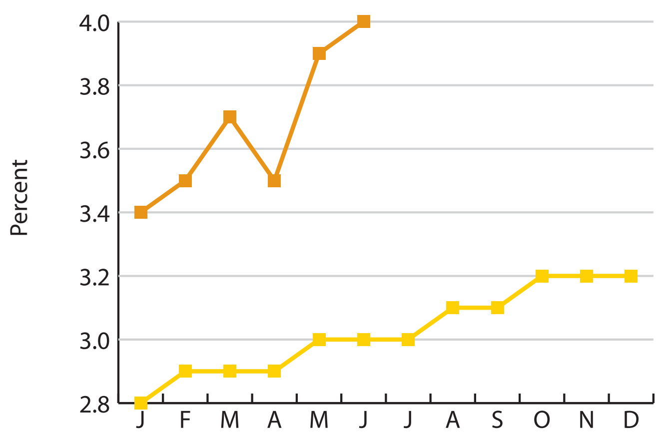
Nonagricultural Wage and Salary Employment



Manufacturing Employment



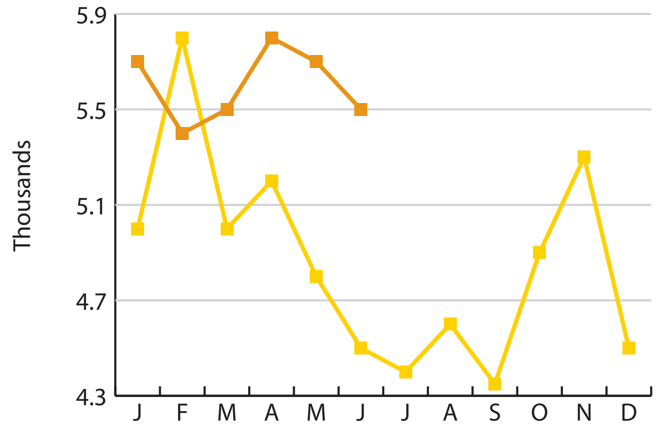
Total Unemployment Rate



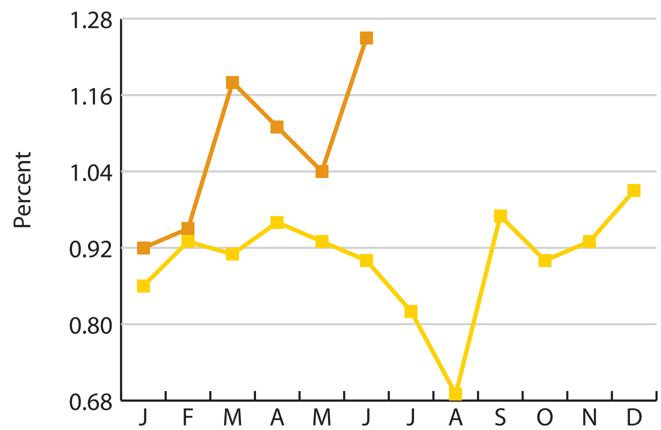
Unemployment Insurance Indicators

January 2007 - June 2008 | 2007 | 2008

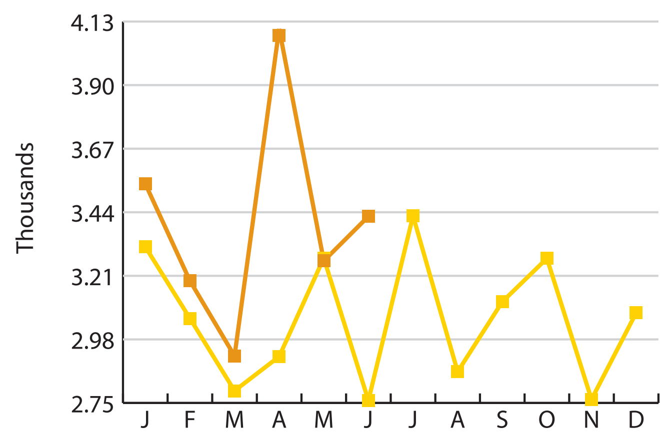
Average Weekly Initial Claims



Insured Unemployment Rate



Unemployment Insurance Final Payments



Manufacturing Production Worker Indicators

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
2007	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	41.3	41.1	17.09	17.08	8.65	8.58
February	41.1	41.2	17.06	17.04	8.59	8.52
March	41.5	41.8	17.08	17.18	8.51	8.56
April	41.1	41.6	17.35	17.28	8.58	8.58
May	41.5	41.4	17.26	17.34	8.47	8.55
June	42.6	42.2	17.70	17.62	8.68	8.67
July	41.8	42.3	17.71	17.73	8.69	8.73
August	42.2	42.7	17.67	17.76	8.70	8.75
September	41.8	41.9	17.79	17.82	8.73	8.77
October	41.8	41.4	17.67	17.68	8.65	8.72
November	43.6	43.7	18.35	18.40	8.91	8.88
December	43.7	42.8	18.51	18.35	9.00	8.86
2008						
January	43.5	43.3	18.31	18.30	8.86	8.78
February	43.8	43.9	18.25	18.22	8.81	8.73
March	43.6	43.9	18.22	18.33	8.71	8.76
April	42.9	43.5	18.33	18.25	8.70	8.69
May	44.4	44.3	18.19	18.27	8.55	8.63
June	43.9	43.4	18.46	18.38	8.58	8.57

* These series have been adjusted to First Quarter 2007 benchmarks.

Manufacturing Production Worker Indicators (continued)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
2007	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**	**Unadjusted**	**Adjusted**
January	9,032	9,037	705.82	701.40	357.27	352.96
February	9,026	9,087	701.17	703.21	353.16	352.42
March	9,113	9,204	708.82	715.47	353.33	356.29
April	9,021	9,122	713.09	718.04	352.79	355.78
May	9,093	9,081	716.29	717.15	351.71	351.95
June	9,398	9,259	754.02	742.36	369.79	366.13
July	9,137	9,270	740.28	748.36	363.42	369.10
August	9,208	9,275	745.67	757.49	366.97	374.30
September	9,096	9,101	743.62	751.06	364.72	369.22
October	9,029	8,943	738.61	732.53	361.46	359.85
November	9,426	9,437	800.06	803.52	388.58	389.25
December	9,413	9,193	808.89	786.17	393.09	379.54
2008						
January	9,270	9,276	796.49	791.50	385.25	380.61
February	9,237	9,299	799.35	801.67	385.69	384.88
March	9,217	9,309	794.39	801.85	379.82	383.00
April	9,224	9,328	786.36	791.82	373.22	376.38
May	9,550	9,538	807.64	808.61	379.55	379.82
June	9,469	9,329	810.39	797.86	376.54	372.81

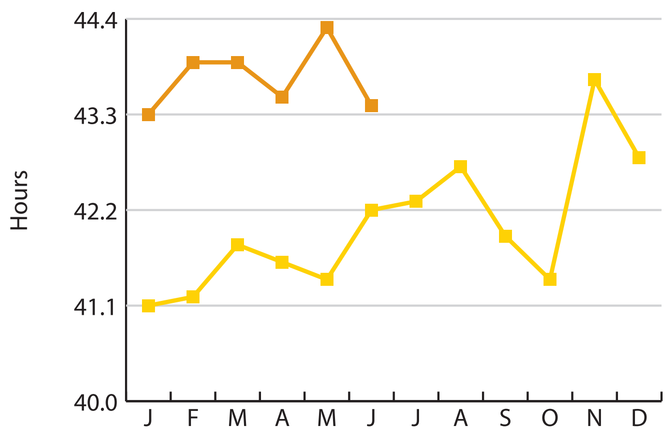
* These series have been adjusted to First Quarter 2007 benchmarks.

Manufacturing Production Worker Indicators

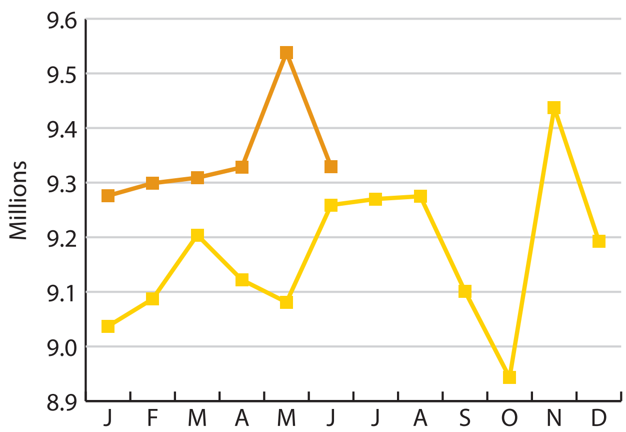
January 2007 - June 2008

2007 2008

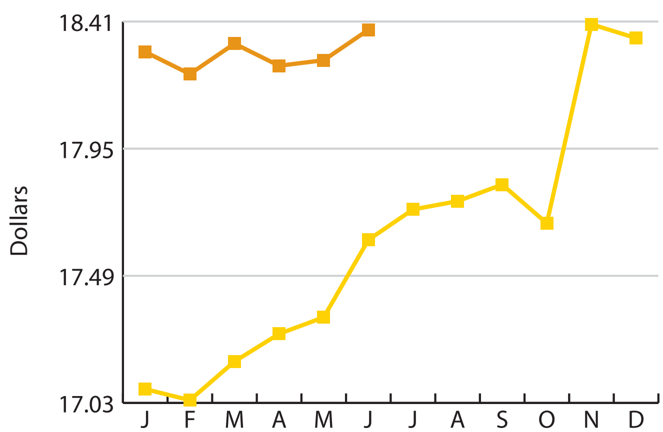
Average Weekly Hours



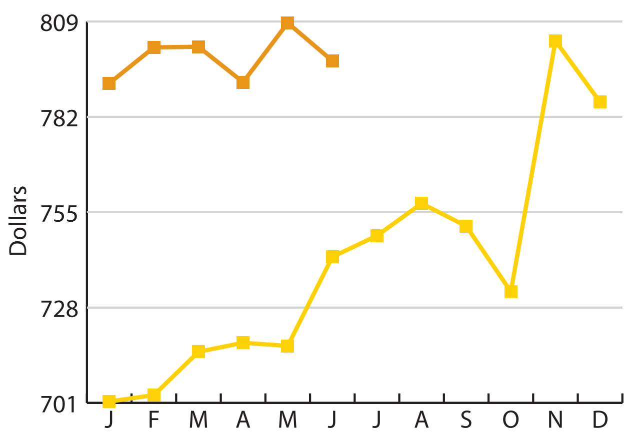
Total Production Hours



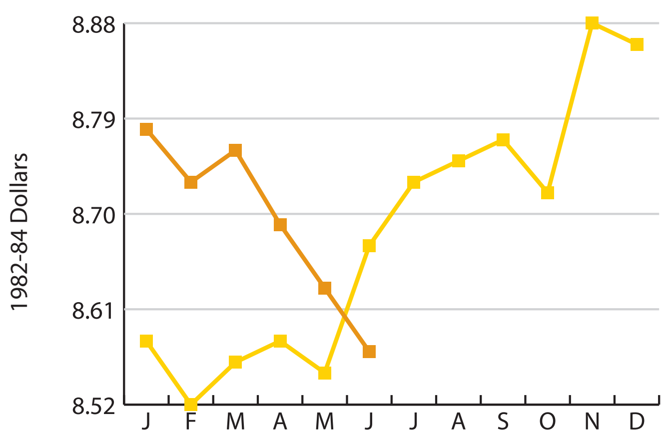
Average Hourly Earnings



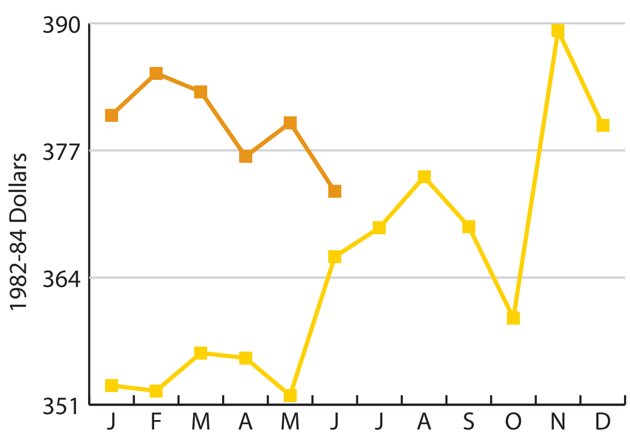
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



Business Indicators

2007	Single Family Housing Permits Unadjusted	Single Family Housing Permits Adjusted	New Business Incorporations Unadjusted	New Business Incorporations Adjusted	New Vehicle Registrations Unadjusted	New Vehicle Registrations Adjusted
January	2,350	2,765	1,560	1,829	41,967	46,072
February	2,588	2,891	1,553	1,429	33,096	42,513
March	3,082	2,683	1,885	1,466	45,232	42,332
April	2,936	2,605	1,549	1,424	46,993	44,171
May	3,156	2,671	1,596	1,476	55,429	48,922
June	3,057	2,568	1,575	1,501	49,747	43,067
July	2,751	2,647	1,315	1,384	44,414	41,951
August	2,491	2,362	1,534	1,561	47,082	40,718
September	1,849	2,008	1,114	1,147	40,381	38,447
October	2,084	2,181	1,558	1,748	43,040	42,233
November	1,702	2,000	1,185	1,435	35,045	41,646
December	1,443	1,855	1,271	1,368	28,170	37,168
2008						
January	1,891	2,225	1,578	1,850	38,869	42,671
February	1,865	2,083	1,329	1,223	31,615	40,610
March	2,045	1,780	1,604	1,248	37,113	34,734
April	1,947	1,728	1,761	1,619	39,156	36,804
May	1,818	1,539	1,453	1,344	40,756	35,972
June	1,905	1,601	1,344	1,281	41,337	35,787

Business Indicators (continued)

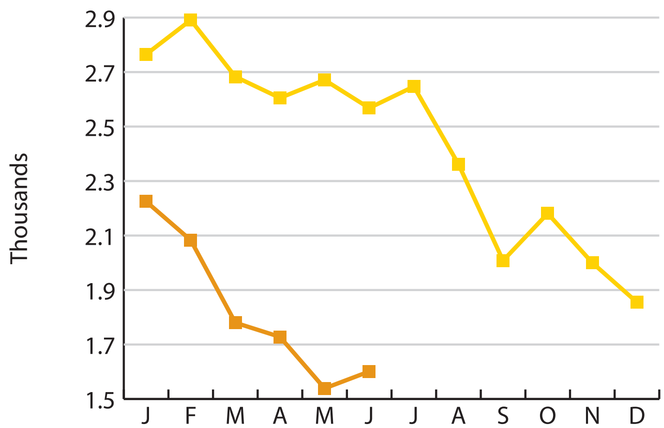
2007	Taxable Retail Sales (Millions of Dollars) Unadjusted	Taxable Retail Sales (Millions of Dollars) Adjusted	Deflated Taxable Retail Sales (Millions of 1982-84 Dollars) Unadjusted	Deflated Taxable Retail Sales (Millions of 1982-84 Dollars) Adjusted
January	7,714	8,942	3,905	4,496
February	7,807	8,898	3,932	4,459
March	8,895	8,766	4,434	4,368
April	8,586	8,683	4,248	4,316
May	9,045	8,967	4,441	4,430
June	9,299	8,732	4,560	4,304
July	8,633	8,789	4,238	4,308
August	8,849	8,932	4,355	4,419
September	8,557	8,622	4,197	4,245
October	9,028	9,004	4,418	4,398
November	8,687	8,842	4,219	4,284
December	10,572	8,623	5,138	4,162
2008				
January	7,599	8,808	3,676	4,233
February	7,692	8,767	3,711	4,208
March	8,728	8,602	4,173	4,111
April	8,538	8,635	4,052	4,117
May	8,786	8,710	4,129	4,119
June	9,382	8,810	4,359	4,114

BUSINESS INDICATORS

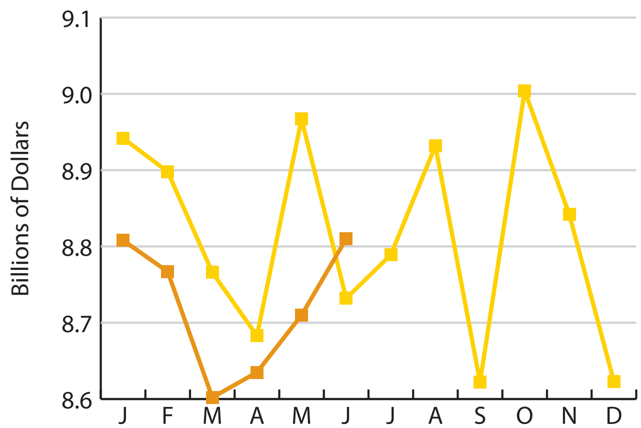
January 2007 - June 2008

2007 2008

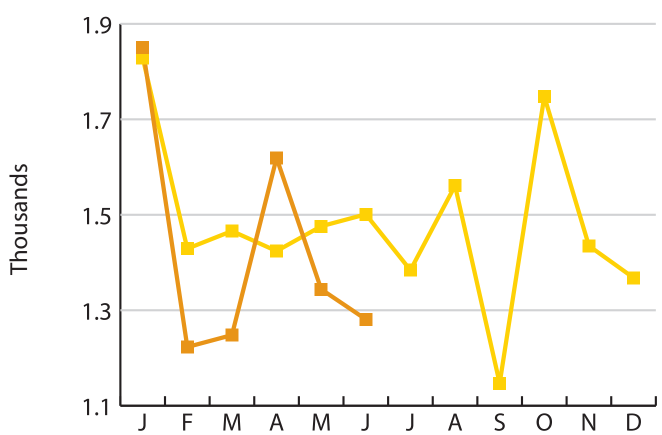
Single Family Housing Permits



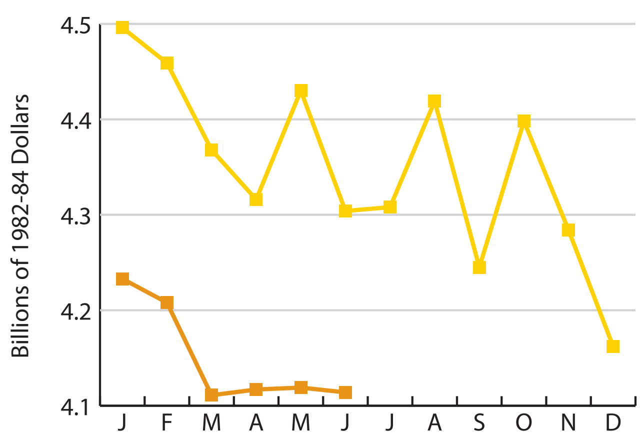
Taxable Retail Sales



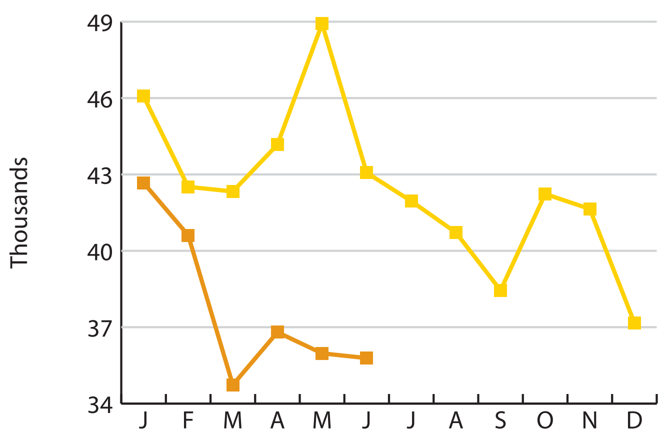
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



Data Summary (Seasonally Adjusted Data) April 2008

	Apr 2008	Mar 2008	Apr 2007	Percent & Direction of Change** Mar 2008-Apr 2008	Apr 2007-Apr 2008
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,776.3	3,773.5	3,756.2	0.1 (0)	0.54 (+)
*Manufacturing Employment (000)	276.5	272.3	280.6	1.5 (+)	-1.5 (-)
*Total Unemployment Rate (%)	3.5	3.7	2.9	(+)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,812	5,523	5,189	5.2 (-)	12.0 (-)
Insured Unemployment Rate (%)	1.11	1.18	0.96	(+)	(-)
Final Payments	4,119	2,920	2,918	41.1 (-)	41.2 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.5	43.9	41.6	-0.9 (-)	4.6 (+)
*Total Production Hours (000)	9,328	9,309	9,122	0.2 (0)	2.3 (+)
*Average Hourly Earnings ($)	18.25	18.33	17.28	-0.4 (0)	5.6 (+)
*Average Weekly Earnings ($)	791.82	801.85	718.04	-1.3 (-)	10.3 (+)
BUSINESS					
Single Family Housing Permits	1,728	1,780	2,605	-2.9 (-)	-33.7 (-)
New Business Incorporations	1,619	1,248	1,424	29.7 (+)	13.7 (+)
New Vehicle Registrations	36,804	34,734	44,171	6.0 (+)	-16.7 (-)
Taxable Retail Sales ($M)	8,635	8,602	8,683	0.4 (0)	-0.6 (-)

Data Summary (Seasonally Adjusted Data) May 2008

	May 2008	Apr 2008	May 2007	Percent & Direction of Change** Apr 2008-May 2008	May 2007-May 2008
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,772.4	3,776.3	3,759.9	-0.1 (0)	0.3 (0)
*Manufacturing Employment (000)	275.8	276.5	279.8	-0.3 (0)	-1.4 (-)
*Total Unemployment Rate (%)	3.9	3.5	3.0	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,747	5,812	4,771	-1.1 (+)	20.5 (-)
Insured Unemployment Rate (%)	1.04	1.11	0.93	(+)	(-)
Final Payments	3,264	4,119	3,274	-20.8 (+)	-0.3 (0)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	44.3	43.5	41.4	1.8 (+)	7.0 (+)
*Total Production Hours (000)	9,538	9,328	9,081	2.3 (+)	5.0 (+)
*Average Hourly Earnings ($)	18.27	18.25	17.34	0.1 (0)	5.4 (+)
*Average Weekly Earnings ($)	808.61	791.82	717.15	2.1 (+)	12.8 (+)
BUSINESS					
Single Family Housing Permits	1,539	1,728	2,671	-10.9 (-)	-42.4 (-)
New Business Incorporations	1,344	1,619	1,476	-17.0 (-)	-8.9 (-)
New Vehicle Registrations	35,972	36,804	48,922	-2.3 (-)	-26.5 (-)
Taxable Retail Sales ($M)	8,710	8,635	8,967	0.9 (+)	-2.9 (-)

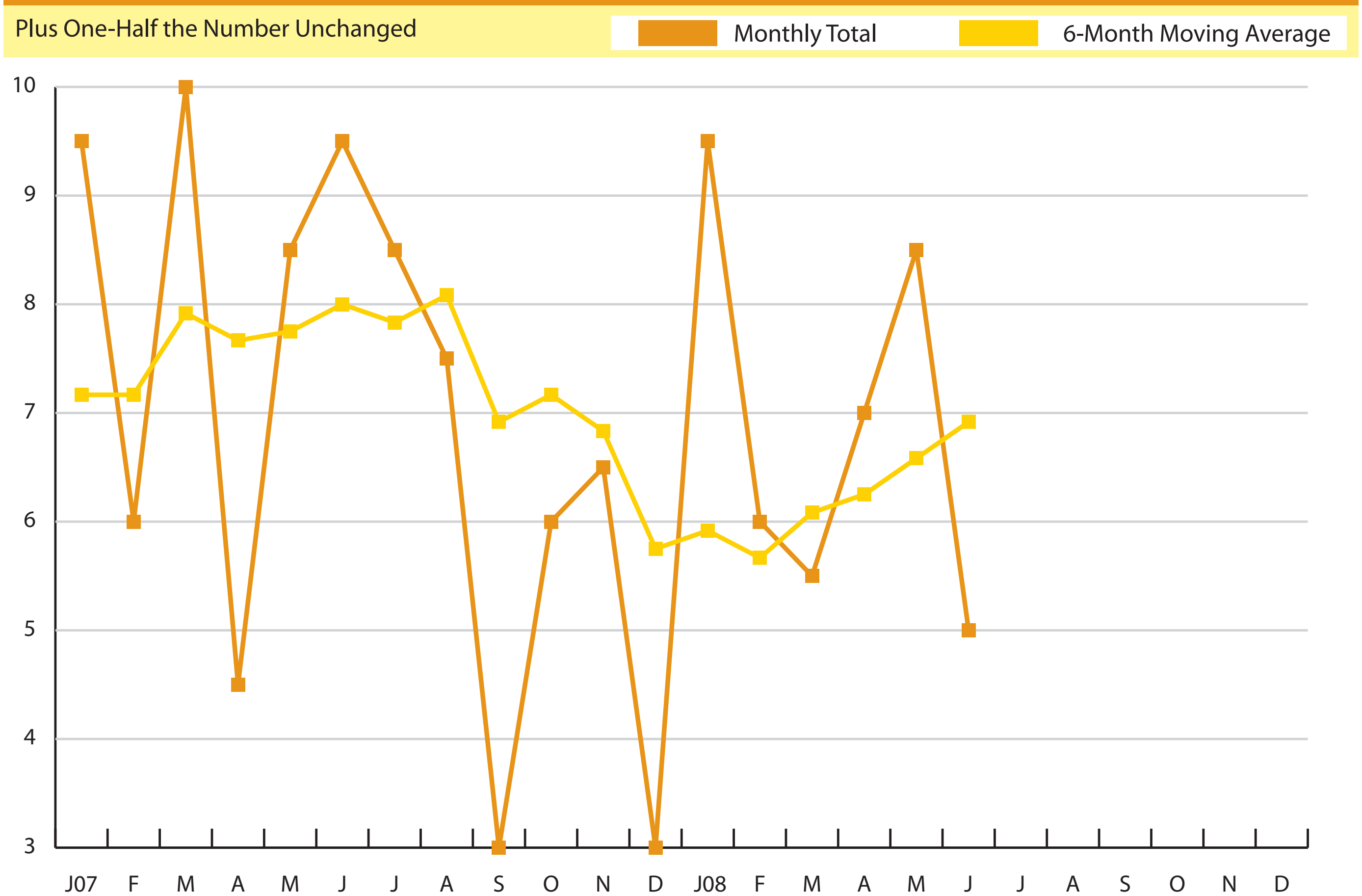
Data Summary (Seasonally Adjusted Data) June 2008

	Jun 2008	May 2008	Jun 2007	Percent & Direction of Change** May 2008-Jun 2008		Jun 2007-Jun 2008	
EMPLOYMENT							
*Nonag Wage & Salary Emp (000)	3,774.6	3,772.4	3,762.7	0.1	(0)	0.3	(0)
*Manufacturing Employment (000)	274.5	275.8	279.9	-0.47	(0)	-1.9	(-)
*Total Unemployment Rate (%)	4.0	3.9	3.0		(-)		(-)
UNEMPLOYMENT INSURANCE							
Average Weekly Initial Claims	5,525	5,747	4,528	-3.9	(+)	22.0	(-)
Insured Unemployment Rate (%)	1.25	1.04	0.90		(-)		(-)
Final Payments	3,425	3,264	2,759	4.9	(-)	24.1	(-)
MANUFACTURING PRODUCTION WORKERS							
*Average Weekly Hours	43.4	44.3	42.2	-2.0	(-)	2.8	(+)
*Total Production Hours (000)	9,329	9,538	9,259	-2.2	(-)	0.8	(+)
*Average Hourly Earnings ($)	18.38	18.27	17.62	0.6	(+)	4.3	(+)
*Average Weekly Earnings ($)	797.86	808.61	742.36	-1.3	(-)	7.5	(+)
BUSINESS							
Single Family Housing Permits	1,601	1,539	2,568	4.0	(+)	-37.7	(-)
New Business Incorporations	1,281	1,344	1,501	-4.7	(-)	-14.7	(-)
New Vehicle Registrations	35,787	35,972	43,067	-0.51	(-)	-16.9	(-)
Taxable Retail Sales ($M)	8,810	8,710	8,732	1.1	(+)	0.9	(+)

* Revised to 1st Quarter 2007 benchmarks.
** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

Number of Series Moving Favorably

Plus One-Half the Number Unchanged



The Transportation and Warehousing Sector* in Virginia

by James P. Wilson, Senior Economist

Establishments

- The average employment per Transportation establishment is a little larger than the average for All Industries.
- It is not surprising that Scheduled Air Transportation is the largest (137 employees per establishment) industry group. The other large industry group is Urban Transit Systems with 82 employees per establishment.
- There are about an equal number of industry groups (four) with about 50 employees per establishment as there are industry groups (five) with less than ten per establishment. The remaining industry groups have about 10-30 employees per establishment.
- The only two industry groups with double-digit percentage shares of establishments and employment are both trucking-related. General Freight Trucking has over one-fourth of the establishments and less than one-fifth of the employment. Specialized Freight Trucking has about the same number of establishments, but much less employment.

*Note: private only. Hereafter, referred to as Transportation. Unless otherwise noted, the source for all data is Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW, formerly ES-202). The tables show only those industry groups with at least 250 employees. In 2007, these groups represent over 98 percent of establishments and over 99 percent of employment.

Editor's Note:

We will publish the annual article, "Trends in Defense Employment," which gives an update of Virginia military and civilian defense employment, a major segment of this state's economy, in the quarter after that information becomes available from the U.S. Department of Defense (DOD). This information used to be available for inclusion in the second quarter *Indicators*, but in 2007 it was not available until the third quarter issue.

NAICS Code and Industry Group		2007 Average Establishments	Percent of Total	2007 Average Employment	Percent of Total	Employment per Establishment
4811	Scheduled Air Transportation	95	1.7%	13,058	12.7%	137
4812	Nonscheduled Air Transportation	73	1.3%	994	1.0%	14
4831	Sea, Coastal & Great Lakes Transport	28	0.5%	1,489	1.5%	53
4841	General Freight Trucking	1,484	27.2%	18,442	18.0%	12
4842	Specialized Freight Trucking	1,622	29.7%	13,264	12.9%	8
4851	Urban Transit Systems	24	0.4%	1,971	1.9%	82
4852	Interurban and Rural Bus Transportation	11	0.2%	358	0.3%	33
4853	Taxi and Limousine Service	174	3.2%	1,568	1.5%	9
4854	School and Employee Bus Transportation	9	0.2%	267	0.3%	30
4855	Charter Bus Industry	46	0.8%	780	0.8%	17
4859	Other Ground Passenger Transportation	84	1.5%	2,069	2.0%	25
4862	Pipeline Transportation of Natural Gas	34	0.6%	312	0.3%	9
4881	Support Activities for Air Transport	154	2.8%	4,730	4.6%	31
4883	Support Activities for Water Transport	89	1.6%	4,238	4.1%	48
4884	Support Activities, Road Transportation	300	5.5%	2,940	2.9%	10
4885	Freight Transportation Arrangement	335	6.1%	3,434	3.3%	10
4889	Other Support Activities for Transport	51	0.9%	475	0.5%	9
4921	Couriers	244	4.5%	10,939	10.7%	45
4922	Local Messengers and Local Delivery	134	2.5%	923	0.9%	7
4931	Warehousing and Storage	367	6.7%	19,558	19.1%	53
48-49	**Transportation and Warehousing Total**	**5,458**		**102,540**		**19**
	All Industries	**221,599**		**3,671,407**		**17**

Employment

- General Freight Trucking is the largest industry group, having added about 2,500 jobs from 1992 to 2007, but has shown little growth in the last ten years (see tables on page 21).
- Warehousing and Storage added the most jobs in each of the five-, ten-, and fifteen-year periods shown in the bottom table on page 21.
- On the negative side, Scheduled Air Transportation lost the most jobs in each of the five-, ten-, and fifteen-year periods. Reflecting the outsourcing of many of the airlines' support functions, Support Activities for Air Transportation added more jobs in two of those time periods than the airlines lost.
- Besides Scheduled Air Transportation, two other groups, Support Activities for Water Transportation and Other Support Activities for Transportation, consistently lost employment (see tables on page 21).
- Four of the industry groups had triple-digit growth over the last 15 years and each had strong, positive growth in the last five and ten years.
- In the last 15 years, Transportation grew ten percent faster than All Industries, slightly increasing Transportation's share of employment from 2.7 percent to 2.8 percent. Reflecting the ups and downs of this sector, particularly airlines and their support industries, Transportation reached a high of 3.0 percent of total employment in 1997.
- In the last five to ten years Transportation has grown about one-half to one-third as fast as All Industries.
- Compared to the nation, Virginia's Transportation sector grew about the same (28.0 percent vs. 31.0 percent) in the last 15 years, but 75 percent slower in the last ten years (3.1 percent vs. 12.7 percent), and 82 percent slower in the last five years (1.3 percent vs. 7.4 percent). *

*Source: Current Employment Statistics of U.S. Department of Labor, Bureau of Labor Statistics.

NAICS Code and Industry Group		1992	1997	2002	2007
4811	Scheduled Air Transportation	14,081	14,674	17,534	13,058
4812	Nonscheduled Air Transportation	398	698	416	994
4831	Sea, Coastal & Great Lakes Transport	650	582	1,335	1,489
4841	General Freight Trucking	15,977	18,439	18,554	18,442
4842	Specialized Freight Trucking	9,497	11,352	12,701	13,264
4851	Urban Transit Systems	1,514	1,758	1,809	1,971
4852	Interurban and Rural Bus Transportation	272	438	406	358
4853	Taxi and Limousine Service	1,194	1,530	1,503	1,568
4854	School and Employee Bus Transportation	267	138	149	267
4855	Charter Bus Industry	715	881	922	780
4859	Other Ground Passenger Transportation	321	955	1,762	2,069
4862	Pipeline Transportation of Natural Gas	312	365	334	312
4881	Support Activities for Air Transport	2,397	2,935	2,862	4,730
4883	Support Activities for Water Transport	4,726	5,163	4,774	4,238
4884	Support Activities, Road Transportation	1,028	1,748	2,065	2,940
4885	Freight Transportation Arrangement	1,936	3,704	3,736	3,434
4889	Other Support Activities for Transport	640	890	619	475
4921	Couriers	7,039	10,582	10,489	10,939
4922	Local Messengers and Local Delivery	628	992	791	923
4931	Warehousing and Storage	11,431	15,905	16,853	19,558
48-49	**Transportation and Warehousing Total**	**75,897**	**94,478**	**100,340**	**102,540**
	All Industries	**2,789,766**	**3,166,682**	**3,404,890**	**3,671,407**

NAICS Code and Industry Group		1992-2007 Change		1997-2007 Change		2002-2007 Change	
		Number	Percent	Number	Percent	Number	Percent
4811	Scheduled Air Transportation	-1,023	-7.3%	-1,616	-11.0%	-4,476	-25.5%
4812	Nonscheduled Air Transportation	596	149.7%	296	42.4%	578	138.9%
4831	Sea, Coastal & Great Lakes Transport	839	129.1%	907	155.8%	154	11.5%
4841	General Freight Trucking	2,465	15.4%	3	0.0%	-112	-0.6%
4842	Specialized Freight Trucking	3,767	39.7%	1,912	16.8%	563	4.4%
4851	Urban Transit Systems	457	30.2%	213	12.1%	162	9.0%
4852	Interurban and Rural Bus Transportation	86	31.6%	-80	-18.3%	-48	-11.8%
4853	Taxi and Limousine Service	374	31.3%	38	2.5%	65	4.3%
4854	School and Employee Bus Transportation	0	0.0%	129	93.5%	118	79.2%
4855	Charter Bus Industry	65	9.1%	-101	-11.5%	-142	-15.4%
4859	Other Ground Passenger Transportation	1,748	544.5%	1,114	116.6%	307	17.4%
4862	Pipeline Transportation of Natural Gas	0	0.0%	-53	-14.5%	-22	-6.6%
4881	Support Activities for Air Transport	2,333	97.3%	1,795	61.2%	1,868	65.3%
4883	Support Activities for Water Transport	-488	-10.3%	-925	-17.9%	-536	-11.2%
4884	Support Activities, Road Transportation	1,912	186.0%	1,192	68.2%	875	42.4%
4885	Freight Transportation Arrangement	1,498	77.4%	-270	-7.3%	-302	-8.1%
4889	Other Support Activities for Transport	-165	-25.8%	-415	-46.6%	-144	-23.3%
4921	Couriers	3,900	55.4%	357	3.4%	450	4.3%
4922	Local Messengers and Local Delivery	295	47.0%	-69	-7.0%	132	16.7%
4931	Warehousing and Storage	8,127	71.1%	3,653	23.0%	2,705	16.1%
48-49	**Transportation and Warehousing Total**	**26,643**	**35.1%**	**8,062**	**8.5%**	**2,200**	**2.2%**
	All Industries	**881,641**	**31.6%**	**504,725**	**15.9%**	**266,517**	**7.8%**

Wages

- Sea, Coastal, and Great Lakes Transportation is the highest-paying industry group at around two and one-half times the All Industries average, but ranks thirteenth in number of employees.
- The industry group with the largest employment, Warehousing and Storage, has the twelfth-highest wage, which is 17 percent lower than the Transportation sector average.
- The lowest-paying industry group, Support Activities for Road Transportation, pays about 39 percent less than the Transportation average. It is the ninth-largest employing industry group.
- Four of the 20 industry groups, with less than seven percent of Transportation employees, pay average weekly wages of at least $1,000.
- All but seven of the 20 industry groups, with over 58 percent of Transportation employees, pay less than the Transportation average.
- With its wage growth ranking last, Transportation has gone from a wage premium of 6.7 percent in 1992 to 12.3 percent below the All Industries average in 2007. (See table at top of page 23.)
- Compared to the Transportation average, wages in School and Employee Bus Transportation have grown so much faster that in the last 15 years its wages have moved from last to eleventh. (See table at bottom of page 23.)
- Five of the 20 industry groups have faster wage growth in the last 15 years than the All Industries average of 4.2 percent.
- Total wages exceed $4.1 billion per year. Although Transportation has 2.8 percent of employment, its below-average pay produces only 2.4 percent of total wages.

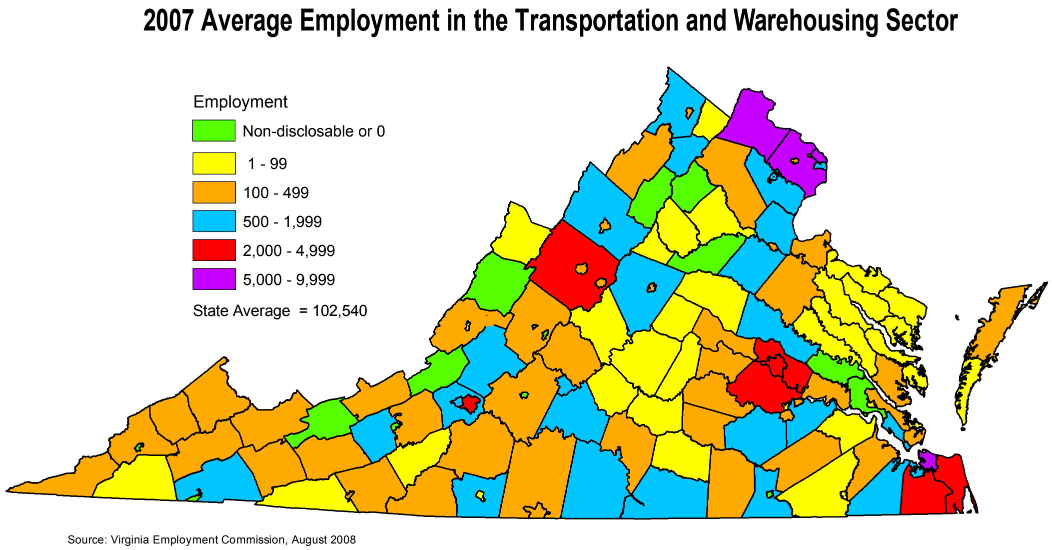
NAICS Code and Industry Group		2007 Average Employment	2007 Average Weekly Wage	2007 Average Annual Wage	Rank
4831	Sea, Coastal & Great Lakes Transport	1,489	$2,379	$123,708	1
4862	Pipeline Transportation of Natural Gas	312	$1,673	$86,996	2
4812	Nonscheduled Air Transportation	994	$1,240	$64,480	3
4883	Support Activities for Water Transport	4,238	$1,059	$55,068	4
4885	Freight Transportation Arrangement	3,434	$998	$51,896	5
4811	Scheduled Air Transportation	13,058	$965	$50,180	6
4841	General Freight Trucking	18,442	$785	$40,820	7
4921	Couriers	10,939	$716	$37,232	8
4842	Specialized Freight Trucking	13,264	$695	$36,140	9
4881	Support Activities for Air Transport	4,730	$665	$34,580	10
4854	School and Employee Bus Transportation	267	$650	$33,800	11
4931	Warehousing and Storage	19,558	$643	$33,436	12
4851	Urban Transit Systems	1,971	$627	$32,604	13
4922	Local Messengers and Local Delivery	923	$567	$29,484	14
4859	Other Ground Passenger Transportation	2,069	$553	$28,756	15
4889	Other Support Activities for Transport	475	$516	$26,832	16
4853	Taxi and Limousine Service	1,568	$501	$26,052	17
4852	Interurban and Rural Bus Transportation	358	$489	$25,428	18
4855	Charter Bus Industry	780	$482	$25,064	19
4884	Support Activities, Road Transportation	2,940	$476	$24,752	20
48-49	**Transportation and Warehousing Total**	**102,540**	**$776**	**$40,352**	
	All Industries	**3,671,407**	**$885**	**$46,020**	

NAICS Code and Sectors		1992	2007	1992-2007 Average Annual Growth Rate	Rank
55	Management of Companies and Enterprises	$790	$1,878	5.9%	1
52	Finance and Insurance	$614	$1,366	5.5%	2
54	Professional and Technical Services	$750	$1,596	5.2%	3
22	Utilities	$811	$1,658	4.9%	4
51	Information	$706	$1,438	4.9%	5
53	Real Estate and Rental and Leasing	$414	$817	4.6%	6
56	Administrative and Waste Services	$302	$594	4.6%	7
42	Wholesale Trade	$645	$1,223	4.4%	8
81	Other Services, Ex. Public Admin.	$353	$660	4.3%	9
23	Construction	$456	$843	4.2%	10
61	Educational Services	$424	$742	3.8%	11
31-33	Manufacturing	$528	$919	3.8%	12
92	Total Government	$537	$925	3.7%	13
11	Agriculture, Forestry, Fishing & Hunting	$302	$507	3.5%	14
71	Arts, Entertainment, and Recreation	$268	$443	3.4%	15
72	Accommodation and Food Services	$183	$301	3.4%	16
62	Health Care and Social Assistance	$477	$783	3.4%	17
44-45	Retail Trade	$307	$474	2.9%	18
21	Mining	$685	$1,041	2.8%	19
48-49	**Transportation and Warehousing**	**$511**	**$776**	**2.8%**	**20**
	All Industries	**$479**	**$885**	**4.2%**	

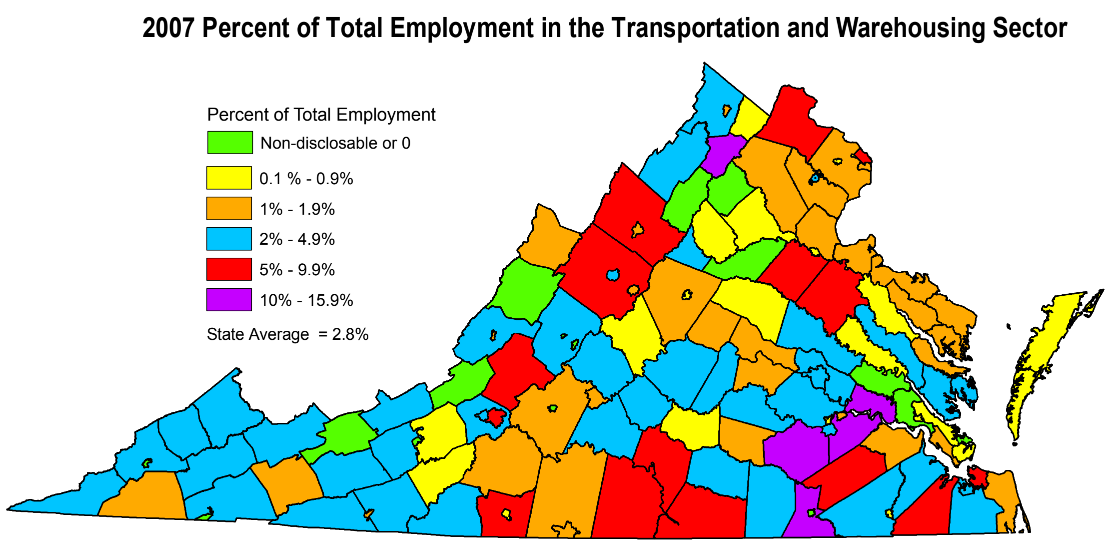
NAICS Code and Industry Group		Average Weekly Wage				Average Annual Growth Rate			Rank*
		1992	1997	2002	2007	1992-2007	1997-2007	2002-2007	
4854	School and Employee Bus Transportation	$208	$280	$339	$650	7.9%	8.8%	13.9%	1
4831	Sea, Coastal & Great Lakes Transport	$761	$895	$1,548	$2,379	7.9%	10.3%	9.0%	2
4885	Freight Transportation Arrangement	$643	$570	$671	$998	3.0%	5.8%	8.3%	3
4812	Nonscheduled Air Transportation	$596	$778	$862	$1,240	5.0%	4.8%	7.5%	4
4883	Support Activities for Water Transport	$613	$640	$768	$1,059	3.7%	5.2%	6.6%	5
4853	Taxi and Limousine Service	$246	$301	$379	$501	4.9%	5.2%	5.7%	6
4859	Other Ground Passenger Transportation	$324	$324	$436	$553	3.6%	5.5%	4.9%	7
4862	Pipeline Transportation of Natural Gas	$834	$1,305	$1,322	$1,673	4.8%	2.5%	4.8%	8
4855	Charter Bus Industry	$265	$345	$387	$482	4.1%	3.4%	4.5%	9
4842	Specialized Freight Trucking	$392	$485	$571	$695	3.9%	3.7%	4.0%	10
4851	Urban Transit Systems	$412	$457	$540	$627	2.8%	3.2%	3.0%	11
4881	Support Activities for Air Transport	$461	$419	$574	$665	2.5%	4.7%	3.0%	12
4841	General Freight Trucking	$499	$596	$680	$785	3.1%	2.8%	2.9%	13
4931	Warehousing and Storage	$389	$445	$557	$643	3.4%	3.7%	2.9%	14
4921	Couriers	$524	$502	$627	$716	2.1%	3.6%	2.7%	15
4889	Other Support Activities for Transport	$364	$382	$457	$516	2.4%	3.1%	2.5%	16
4884	Support Activities, Road Transportation	$276	$369	$440	$476	3.7%	2.6%	1.6%	17
4852	Interurban and Rural Bus Transportation	$377	$436	$460	$489	1.7%	1.2%	1.2%	18
4922	Local Messengers and Local Delivery	$356	$386	$541	$567	3.2%	3.9%	0.9%	19
4811	Scheduled Air Transportation	$731	$893	$1,061	$965	1.9%	0.8%	-1.9%	20
48-49	**Transportation and Warehousing Total**	**$511**	**$571**	**$697**	**$776**	**2.8%**	**3.1%**	**2.2%**	
	All Industries	**$479**	**$568**	**$716**	**$885**	**4.2%**	**4.5%**	**4.3%**	

Geographic Distribution of Employment and Wages

- Transportation employment in the top four areas (Loudoun County, Arlington County, Norfolk city, and Fairfax County) exceeds 32,000 and is over 31 percent of the state total.
- About 55 percent of the employment is in the 11 localities with at least 2,000 employees. Loudoun and Arlington counties alone account for almost 17 percent of total employment.
- Augusta County, where Interstates 64 and 81 intersect, is the only non-metropolitan area with at least 2,000 Transportation employees. Almost 40 percent of Augusta's Transportation employment is in General Freight Trucking, more than double the state average of 18 percent.
- Although data for over 10 percent of the localities is non-disclosable, these localities have only 4.1 percent of Transportation and Warehousing employment. One area (Poquoson city) has zero employment in this sector.

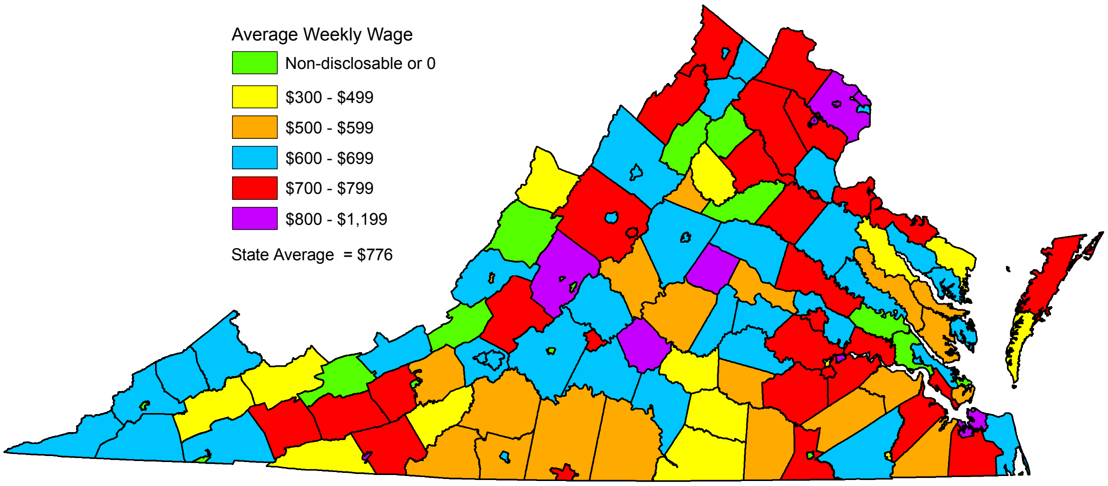


- Transportation employment is concentrated in the metropolitan areas, where one would expect to find most of the employment for airlines (and their support industries) and to a lesser extent trucking (and its support industries).
- One-fourth of the localities have less than 100 Transportation employees.
- Four of the five localities with the highest proportion of Transportation employment relative to total employment have interstate highways (I-66, I-85, I-95, and I-295) pass through them. The fifth is near Interstate 64.
- Twenty-two areas have less than one percent of their employment in the Transportation sector. (This does not include the areas with zero or non-disclosable employment.)



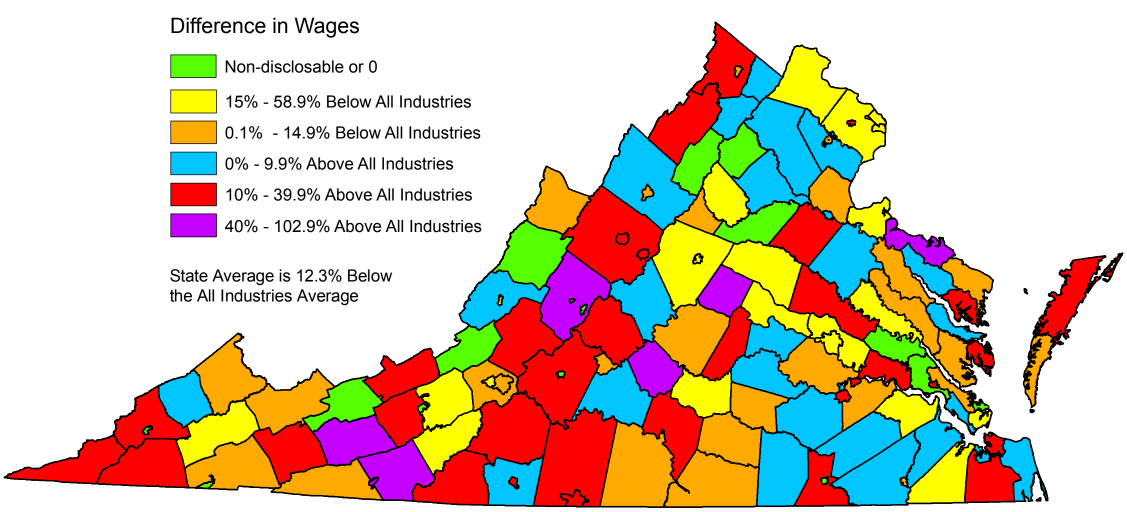
- Seventeen localities have average weekly wages in Transportation that exceed the state Transportation average. Most are in the Northern Virginia, Hampton Roads, or Richmond Metropolitan Statistical Areas, while others are in non-metro areas, but near interstate highways.
- Only six areas have Transportation wages that exceed the statewide All Industries average wage of $885. Five of the six are in metropolitan areas.
- In about ten percent of the localities, the average weekly wage for Transportation is less than $500 or about one-third less than the statewide Transportation sector wage. These areas are mostly rural counties.
- The Transportation wage is more than the area's All Industries wage in half of the localities. In three localities (Rockbridge County, Galax city, and Appomattox County) Transportation wages are at least 70 percent higher than the All Industries average.
- The Transportation wage in 12 localities is at least 25 percent below the All Industries wage in their respective area.
- Rockbridge and Goochland counties have, respectively, the highest and lowest Transportation wage relative to the All Industries wage in their locality.

2007 Average Weekly Wage in the Transportation and Warehousing Sector



Source: Virginia Employment Commission, August 2008

2007 Average Weekly Wage in the Transportation and Warehousing Sector Compared to All Industries



Source: Virginia Employment Commission, August 2008

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

DATA SOURCES

U.S. Census Bureau:
- Single Family Housing Permits

Virginia Department of Motor Vehicles:
- New Vehicle Registrations

Virginia Department of Taxation:
- Deflated Taxable Retail Sales
- Taxable Retail Sales

Virginia Employment Commission:
- Average Hourly Earnings
- Average Weekly Earnings
- Average Weekly Hours
- Average Weekly Initial Claims
- Deflated Average Hourly Earnings
- Deflated Average Weekly Earnings
- Insured Unemployment Rate
- Manufacturing Employment
- Nonagricultural Wage and Salary Employment
- Total Production Hours
- Total Unemployment Rate
- Unemployment Insurance Final Payments

Virginia State Corporation Commission:
- New Business Incorporations

Virginia Economic Indicators - Vol. 40, No. 2
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